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\*APPENDIX 2.

[See Chap. 3, Art. 46.]

**Extracts from the Income-tax Act (VII of 1918), as amended by Act IV of 1919, with supplementary notes and instructions.**

**Short title.**  
**Extent.**

1. (1) This Act may be called the Indian Income-tax Act, 1918.

(2) It extends to the whole of British India, including the Sonthal Parganas, and applies also within the dominions of Princes and Chiefs in India in alliance with His Majesty to British subjects in those dominions who are in the service of the Government of India or of a local authority established in the exercise of the powers of the Governor-General in Council in that behalf, and to all other servants of His Majesty in those dominions.

NOTE 1.—The Act applies in Indian States to all persons in the service of Government, whatever their nationality. It applies in Indian States to persons in the service of a local authority established in the exercise of the powers of the Governor-General, only if they are British subjects or servants of Government lent to the local authority.

NOTE 2.—The Act has been extended by notification to British Baluchistan, in so far as it relates to the assessment and collection of income-tax on salaries received by persons who are in the service of, and paid by or on behalf of, Government or of a local authority established in the exercise of the powers of the Governor-General in Council.

NOTE 3.—The salaries of Government officers serving outside India are not liable to income-tax unless they are drawn or otherwise received in British India. (See section 31 of the Act.)

NOTE 4.—Frontier Agency tracts and ceded areas are included in the term "dominions of Princes and Chiefs in India in alliance with His Majesty."

NOTE 5.—The salary and allowances paid by a State in India during the period of deputation to any person deputed by the State for training in British India have been exempted from income-tax.

**Definitions.**

2. (3) "Assessee" means a person by whom income-tax is payable and includes a firm and a Hindu undivided family.

(4) "Chief revenue authority" means the Board of Revenue or the Financial Commissioner in provinces where these authorities exist, and in any other case such authority as the local Government may declare to be the Chief Revenue authority for the purposes of this Act;

(5) "Collector" includes any officer whom the local Government may appoint to exercise or perform all or any of the powers or duties conferred by this Act on a Collector, and means in relation to any assessee carrying on business, the Collector of the place where the principal place of business of such assessee is situate, and in relation to any other assessee the Collector of the place where such assessee resides.

(6) "Commissioner" includes any officer whom the local Government may appoint to exercise or perform all or any of the powers or duties conferred by this Act on a Commissioner.

(8) "Local authority" includes any person legally entitled to the control or management of any municipal or local fund.

CHAPTER I.

TAXABLE INCOME.

**Application of Act.**

3. (1) Save as hereinafter provided, this Act shall apply to all income from whatever source it is derived if it accrues or arises or is received in British India, or is, under the provisions of this Act, deemed to accrue or arise or to be received in British India.

Pages 106—112, Appendix 2.

*Indist*

*Substitute the following for this Appendix :—*

## APPENDIX 2.

(SEE ARTS. 44—46.)

## PART I.

*Extracts from the Indian Income-tax Act, 1922 (XI 1922), with supplementary notes and instructions.*

1. (1) This Act may be called the Indian Income-tax Act, 1922. Short title,  
Extent and  
Commence-  
ment.

(2) It extends to the whole of British India, including British Baluchistan, the Sonthal Parganas, and applies also within the dominions of Princes and Chiefs in India in alliance with His Majesty, to British subjects in those dominions who are in the service of the Government of India or of a local authority established in the exercise of the powers of the Governor General in Council in that behalf, and to all other servants of His Majesty in those Dominions.

NOTE 1.—The Act applies in Indian States to all persons in the service of Government, whatever their nationality. It applies in Indian States to persons in the service of a local authority established in the exercise of the powers of the Governor General in Council only if they are British subjects or servants of Government lent to the local authority.

NOTE 2.—The pay and allowances of Government officers serving outside British India are not liable to income-tax unless they are drawn or otherwise received in British India. (See section 40 of the Act.)

NOTE 3.—Frontier Agency tracts and ceded areas are included in the term "dominions of Princes and Chiefs in India in alliance with His Majesty."

2. (2) "Assessee" means a person by whom income-tax is payable. Definitions.

(7) "Income-tax Officer" means a person appointed to be an Income-tax Officer under Section 5.

(9) "Person" includes a Hindu undivided family.

(10) "Prescribed" means prescribed by rules made under this Act.

(11) "Previous year" means

(a) the twelve months ending on the 31st day of March next preceding the year for which the assessment is to be made.

(15) "Total income" means total amount of income, profits and gains from all sources to which this Act applies computed in the manner laid down in section 16.

## CHAPTER I.

### CHARGE OF INCOME-TAX.

Charge of  
Income-tax.

3. When any Act of the Indian Legislature enacts, that income-tax shall be charged for any year at any rate or rates applicable to the total income of an assessee, tax at that rate or those rates shall be charged for that year in accordance with and subject to the provision of, this Act in respect of all income, profits and gains of the previous year of every individual.

Application  
of Act.

4. (1) Save as hereinafter provided, this Act shall apply to all income, profits or gains, from whatever source derived accruing or arising or received in British India or deemed under the provisions of this Act to accrue or arise or to be received in British India.

(3) This Act shall not apply to the following classes of income:—

(i) Any income of a religious or charitable institution derived from voluntary contributions and applicable solely to religious or charitable purposes.

(iv) Interest on securities which are held by, or are the property of, any Provident Fund to which the Provident Funds Act, 1897, applies, or any Provident Insurance Society to which the Provident Insurance Societies Act, 1912, is, or, but for an exemption under that Act, would be applicable.

(v) Any capital sum received in commutation of the whole or a portion of a pension, or in the nature of consolidated compensation for death or injuries, or in payment of any insurance policy, or as the accumulated balance at the credit of a subscriber to any such Provident Fund.

(vi) Any special allowance, benefits or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

NOTE 1.—Two conditions have to be fulfilled before the exemption specified in this clause can apply. The expenses incurred by the employé must be wholly and necessarily incurred in the performance of his duties as an employé, and the allowances or perquisites must have been granted by the employer with the set purpose of meeting the extra expense thus caused to the employé, and that extra expense only. It is thus a question of fact in each case whether a house rent allowance or the value of rent free quarters is exempt from the tax, but the following examples will serve to indicate the lines on which the decision should be made:—

(a) A currency officer is granted rent free quarters in his currency office. Even though his residence in that office is necessary for the proper performance of his duties, he will be liable to the tax on the value of his rent free quarters, since he would in any case have had to provide himself with a residence, and the perquisite does not therefore meet expenses wholly incurred in the performance of the duties of an office or employment of profit.

Government office has its headquarters in Bombay, but proceeds for some months in the year elsewhere, and grants its ministerial establishment house-rent allowances or rent-free quarters in the place to which it proceeds with the specific object of providing for the maintenance of a second and from the point of view of the grantees, unnecessary residence in order that they may perform their duties there. The allowance or the value of rent-free quarters will be exempt from income-tax.

*Appendix 2, Chapter III.*

*Substitute the following for Note 1 below Section 7 :—*

“ Rewards for passing language examinations are not taxable unless, by the conditions of his employment, the assessee is compelled to pass the examination. Where they are taxable, they are taxable as salaries and tax should be deducted at source.

In regard to examiners' fees, if the conduct of the examination is part of the assessee's duties, the position is the same as in regard to rewards for passing an examination. Even if it cannot be said that the assessee is under any obligation to do the work for which the fees are paid, the fees will be liable to tax if the work done can be regarded as incidental to the exercise of the assessee's profession, occupation or vocation, but in the latter case they should be taxed as “ Income from other sources ”.

† In all cases where rent-free houses form part of the perquisites of an employé, the cash value of such a house to the occupier should, in no case, be deemed to be more than 10 per cent. of the salary of the employé.

NOTE 2.—Travelling allowance, tentage allowance, horse allowance, sumptuary allowance, fall under this exemption.

(vii) Any receipts not being receipts arising from business or the exercise of a profession, vocation, or occupation, which are of a casual or non-recurring nature, or are not by way of addition to the remuneration of an employé.

NOTE 1.—Whether a bonus granted to a Government servant is liable to Income-tax has to be determined with reference to this clause.

NOTE 2.—A compassionate gratuity granted to the family of a deserving Government servant left in indigent circumstances falls under this exemption.

In this sub-section "charitable purpose" includes relief of the poor, education, medical relief and the advancement of any other object of general public utility.

## CHAPTER II.

### INCOME-TAX AUTHORITIES.

5. (1) There shall be the following classes of Income-tax authorities for the purposes of this Act, namely :—

- (a) A Board of Inland Revenue.
- (b) Commissioners of Income-tax.
- (c) Assistant Commissioners of Income-Tax.
- (d) Income-tax Officers.

## CHAPTER III.

### TAXABLE INCOME.

7. (1) The tax shall be payable by an assessee under the head "salaries" in respect of any salary or wages, any annuity, pension or gratuity, and any fees, commissions, perquisites or profits received by him in lieu of, or in addition to, any salary or wages, which are paid by or on behalf of Government or a local authority :

Provided that the tax shall not be payable in respect of any sum deducted under the authority of Government from the salary of any individual for the purpose of securing to him a deferred annuity or of making provision for his wife or children, provided that the sum so deducted shall not exceed one-sixth of the salary.

(2) Any income which would be chargeable under this head if paid in British India shall be deemed to be so chargeable if paid to a British subject or any servant of His Majesty in any part of India by Government or by a local authority established by the Governor General in Council.

NOTE 1.—Lump sum language rewards, and fees for conducting an examination, when the conduct of the examination is not part of the officer's ordinary duties, are not chargeable as salaries but as income from other sources under section 12.

NOTE 2.—Except as under the provisos to this section of the Act or in accordance with any notification issued by the Governor General under section 60 of the Act no part of

a consolidated pay is exempt. Exchange Compensation Allowance is subject to the tax and also special pay except in so far as any portion of that pay falls under the exemption given by section 4 (3) (vi).

NOTE 3.—Advances of pay, and other advances made by Government to its officers are not chargeable to income-tax, and no allowance is admissible in respect of sums deducted from salary in repayment of such advances.

NOTE 4.—A portion of a salary withheld under the orders of a Court is liable to income-tax.

Interest on  
Securities.

8. The tax shall be payable by an assessee under the head "Interest on securities" in respect of the interest receivable by him on any security of the Government of India or of a local Government or on debentures or other securities for money issued by or on behalf of local authority or a company :

Provided that no income-tax shall be payable on the interest receivable on any security of the Government of India issued or declared to be income-tax free.

Provided further that the income-tax payable on the interest receivable on any security of a local Government issued income-tax free shall be payable by that local Government.

NOTE.—Interest receivable on any security issued or declared to be income-tax free is taken into account under section 16 (1) of the Act in determining the total income of an assessee for the purpose of deciding whether he is liable to income-tax and also for determining the rate at which he shall pay income-tax on his other income.

Exemption in  
the case of  
life insurances.

15. (1) The tax shall not be payable by an assessee in respect of any sums paid by him to effect an insurance on his own life or on the life of his wife or in respect of a contract for a deferred annuity on his own life or on the life of his wife or as a contribution to any provident fund to which the Provident Funds Act, 1897, applies, or to any Provident Fund which complies with the provisions of the Provident Insurance Societies Act, 1912, or has been exempted from the provisions of that Act.

(3) The aggregate of any sums exempted under this section shall not together with any sums exempted under the proviso to sub-section (1) of section 7 exceed one-sixth of the total income of the assessee.

NOTE 1.—These exclusions may be made at the time of the payment of "Salaries." It is not the duty of the Audit Officer or the Head of an office who makes the deductions from the pay of the Government servants to see that the allowances claimed do not exceed one-sixth of the income of the assessee. This should be done by the Income-tax Officer on receipt of the annual returns prescribed in section 21.

NOTE 2.—Sums refunded on account of amounts temporarily withdrawn from Provident Funds or on account of interests thereon cannot be excluded.

NOTE 3.—Refund of income-tax on the amount of premium paid to an Insurance Company in any year, if claimed in a subsequent year, can only be allowed at the time of payment of salary provided that the premia in respect of which the abatement is claimed have been paid within six calendar months ending with the close of the month for which the salary is drawn.

NOTE 4.—If a life insurance premium is payable in sterling the amount to be excluded from the gross salary, etc., is the actual cost of remittance as stated by the assessee, or if the assessee is unable to state such actual cost the equivalent in rupees of the sterling payment calculated at the official rate of exchange prevailing at the time when the premium payment is made.

NOTE 5 (a).—A claim to reduction in the amount of salary, pension, or annuity liable to assessment, on account of payment made to a Life Insurance Company or to a Family Pension Fund (if the payment is made otherwise than by deduction from salary) must be supported either—

(1) by the original receipt of the Insurance Company or Fund ;

*Page 106, Appendix 2 (as introduced by correction slip No. 152, dated 1st April 1923)—*

*Under section 18 (2) of Chapter IV, Part I, number the existing note as " Note 2 " and add the following as note ' I ' :—*

**" NOTE I.—**A person responsible for paying salaries is not bound by law to deduct at the time of payment of salary income-tax on the value of rent-free quarters enjoyed by the person drawing the salary. The Income-tax officer is therefore responsible both for the assessment and for the collection of tax on the value of rent-free quarters, though this particular source of income is included under the head ' Salaries '. There is however no objection to the person disbursing a salary deducting tax on account of the value of rent-free quarters enjoyed by the assessee should the latter request him to do so ".

(2) where the claim is made by a servant of the Government or of a local authority, by a copy of the original receipt presented along with the original to the officer who pays the salary, and attested by that officer who should, after such attestation, return the original with a note endorsed upon it that it has been produced and allowed for, the copy being attached to the bill sent with the list of payments; or

(3) by a duplicate receipt or certificate of payment given by the Insurance Company or Family Pension Fund provided a certificate is given that the original receipt is lost or is not forthcoming.

(b) In cases (1) and (3) the receipt or certificate should be forwarded with the bill to the Account Office whence it will be returned, if desired, as soon as the fact of payment is admitted in due course of audit.

(c) Where the Income-tax Officer is satisfied that none of the above prescribed documents can be produced without an amount of delay, expense or inconvenience which, under the circumstances of the case, would be unreasonable, he may accept such other proof of payment of the premium as he may deem sufficient. He must, however, in all cases receive and adjudicate the claims to the remissions in sufficient time to prevent the payment of bills being postponed pending the adjudication.

16. (1) In computing the total income of an assessee sums exempted under the proviso to sub-section (1) of section 7, the proviso to section 8, and section 15, shall be included. Exemptions and exclusions in determining the total income.

17. When owing to the fact that the total income of an assessee has reached or exceeded a certain limit, he is liable to pay income-tax or to pay income-tax at a higher rate, the amount of income-tax payable by him shall, where necessary, be reduced so as not to exceed the aggregate of the following amounts, namely:— Reduction of tax when margin above a certain limit is small.

(a) the amount which would have been payable if his total income had been a sum less by one rupee than that limit, and

(b) the amount by which his total income exceeds that sum.

## CHAPTER IV

### DEDUCTIONS AND ASSESSMENTS.

18. (1) Income-tax shall, unless otherwise prescribed in the case of any security of the Government of India be leviable in advance by deduction at the time of payment in respect of income chargeable under the following heads:— Payment by deduction at source.

(i) "Salaries," and

(ii) "Interest on securities."

(2) Any person responsible for paying any income chargeable under the head "Salaries" shall at the time of payment deduct income-tax on the amount payable at the rate applicable to the estimated income of the assessee under this head:

Provided that such person may, at the time of making any deduction, increase or reduce the amount to be deducted under this sub-section for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct.

NOTE.—In calculating the amount of tax payable, the amount due on a fraction of a rupee shall be neglected.



(3) The person responsible for paying any income chargeable under the head "Interest on securities" shall at the time of payment, deduct income-tax on the amount of the interest payable at the maximum rate.

NOTE.—Under instructions issued by the Board of Inland Revenue the owner of a promissory note, bearer bond, stock certificate, debenture or other security of the Government of India, can, if he satisfies the Income-tax Officer that he is entitled to exemption from tax or liable to the tax at less than one anna and six pies in the rupee, obtain from him a certificate authorising the person paying the interest on the securities to make no deduction of tax or to deduct tax at a lower rate than the maximum. On the production of such a certificate, the person responsible for paying the interest shall make the deduction at the rate stated therein and not at the maximum rate. Such certificates remain in force until cancelled by the Income-tax Officer and do not require to be renewed annually.

When any exemption is allowed or a lower rate is levied, the Treasury Officer should record on the payee's receipt that the prescribed certificate has been produced and note the fact in the column "Deduction of income-tax" in the Register of Payments, Form 14 of the Government Securities Manual.

(4) All sums deducted in accordance with the provisions of this section shall, for the purpose of computing the income of an assessee, be deemed to be income received.

(5) Any deduction made in accordance with the provisions of this section shall be treated as a payment of income-tax on behalf of the person from whose income the deduction was made, or of the owner of the security as the case may be, and credit shall be given to him, therefore in the assessment, if any, made for the following year under this Act :

Provided that, if such person or such owner obtains in accordance with the provisions of the Act, a refund of any portion of the tax so deducted, no credit shall be given for the amount of such refund.

(6) All sums deducted in accordance with the provisions of this section shall be paid within the prescribed time by the person making the deduction to the credit of the Government of India or as the Board of Inland Revenue directs.

NOTE 1.—The amount deducted from the interest payable on any security of the Government of India shall be paid to the credit of the Government on the same day as the payment of interest is made.

NOTE 2.—In calculating the amount of tax payable, the amount due on a fraction of a rupee shall be neglected.

(7) If any such person does not deduct and pay the tax as required by this section, he shall, without prejudice to any other consequences which he may incur, be deemed to be personally in default in respect of the tax.

(8) The power to levy by deduction under this section shall be without prejudice to any other mode of recovery.

(9) Every person deducting income-tax in accordance with the provisions of sub-section (3) shall, at the time of payment of interest, furnish to the person to whom the interest is paid a certificate to the effect that income-tax has been deducted, and specifying the amount so deducted, the rate at which the tax has been deducted, and such other particulars as may be prescribed.

Payment in  
other cases.

19. In the case of income chargeable under any other heads than those mentioned in sub-section (1) of section 18, and in any case where income-tax has not been deducted in accordance with the provisions of that section, the tax shall be payable by the assessee direct.

21. The prescribed person in the case of every Government Office and the principal officer or the prescribed person in the case of every local authority shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer, in the prescribed form, a return in writing showing—

Annual  
returns.

- (a) the name and, so far as it is known, the address of every person, who was receiving on the said 31st day of March, or has received during the year ending on that date, from the authority.....any income chargeable under the head "Salaries" of such amount as may be prescribed;
- (b) the amount of the income so received by each such person and the time or times at which the same was paid;
- (c) the amount deducted in respect of income-tax from the income of such person.

NOTE.—The list of the prescribed persons and the form of the return is given in Rules 15—17 of the Indian Income Tax Rules, 1922 (*vide* Part II of this Appendix).

22. (2) In the case of any person other than a company whose total income is, in the Income-tax Officer's opinion, of such an amount as to render such person liable to income-tax, the Income-tax Officer shall serve a notice upon him requiring him to furnish, within such period, not being less than thirty days, as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner setting forth (along with such other particulars as may be provided for in the notice) his total income during the previous year.

Return of  
income.

(3) If any person has not furnished a return within the time allowed by or under.....sub-section (2), or having furnished a return discovers any omission or wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made, and any return so made shall be deemed to be a return made in due time under this section.

34. If for any reason income, profits or gains chargeable to income-tax has escaped assessment in any year, or has been assessed at too low a rate, the Income-tax Officer may at any time within one year of the end of that year, serve on the person liable to pay tax on such income, profits or gains.....a notice, containing all or any of the requirements which may be included in a notice under sub-section (2) of section 22, and may proceed to assess or reassess such income, profits or gains, and the provisions of this Act shall, so far as may be, apply accordingly as if the notice were a notice issued under that sub-section:

Income  
escaping  
assessment.

Provided that the tax shall be charged at the rate at which it would have been charged had the income, profits or gains not escaped assessment or full assessment as the case may be.

36. In the determination of the amount of tax or of a refund payable under this Act, fractions of an anna less than six pies shall be disregarded and fractions of an anna equal to or exceeding six pies shall be regarded as one anna.

Tax to be  
calculated  
to nearest  
anna.

## CHAPTER V.

## LIABILITY IN SPECIAL CASES.

Guardians,  
trustees and  
agents.

40. In the case of any \* \* \* agent of any person  
\* \* \* residing out of British India (hereinafter  
in this section included in the term beneficiary) being in receipt on  
behalf of such beneficiary of any income, profits or gains chargeable  
under this Act, the tax shall be levied upon and recoverable from such  
\* \* \* agent \* \* \* in like  
manner, and to the same amount as it would be leviable upon, and  
recoverable from any such beneficiary if \* \* \*  
resident in British India, and in direct receipt of such income, profits,  
or gains and all the provisions of this Act shall apply accordingly.

## CHAPTER VI.

## RECOVERY OF TAX AND PENALTIES.

46. (5) If any assessee is in receipt of any income chargeable under the head "Salaries," the Income-tax Officer may require any person paying the same to deduct from any payment subsequent to the date of such requisition any arrears due from such assessee, and such person shall comply with any such requisition, and shall pay the sums so deducted to the credit of the Government of India, or as the Board of Inland Revenue directs.

## CHAPTER VII.

## REFUNDS.

Refunds.

48. (3) If the owner of a security from the interest on which, or any person from whose salary, income-tax has been deducted in accordance with the provisions of section 18, satisfies the Income-tax Officer that the rate of income-tax applicable to his total income of the previous year was less than the rate at which income-tax has been charged in making such deduction in that year, he shall be entitled to a refund on the amount of interest or salary from which such deduction has been made calculated at the difference between those rates.

NOTE.--The necessity for a refund under this section may be avoided by the procedure described in the note under section 18 (3) above.

## CHAPTER X.

## MISCELLANEOUS.

Power to  
make rules.

59. (1) The Board of Inland Revenue may, subject to the control of the Governor General in Council, make rules for carrying out the purposes of this Act, and for the ascertainment and determination of any class of income. Such rules may be made for the whole of British India or for such part thereof as may be specified.

60. The Governor General in Council may, by notification in the Gazette of India, make an exemption, reduction in rate or other modification, in respect of income-tax in favour of any class of income, or in regard to the whole or any part of the income of any class of persons. Power to make exemptions, etc.

*Exemptions.*—In addition to the exemptions mentioned in section 4 (3), the following further exemptions have been made by the Governor General in Council in exercise of the powers conferred by section 60 of the Act.

“The following classes of income shall be exempt from the tax payable under the said Act and they shall not be taken into account in determining the total income of an assessee for the purposes of the said Act :—

- (1) The official allowance which an agent of a Prince or State in India, who has been duly accredited to represent the Prince or State for political purposes in any place within the limits of British India receives as such agent in British India from the Prince or State; and the official salaries and fees received in India by Foreign Consuls, Representatives and Consular employees from their Governments.

(The latter portion of this exemption applies only to *foreign* consuls, representatives and their foreign employees; and as regards them it applies only to salaries and fees received from their Governments and not to any other income, profits or gains, accruing or arising to them or received by them in British India. The exemption does not apply to residents in India who are employed as consuls or representatives of foreign powers or as employees of foreign consuls.)

- (2) The salary and allowances paid by a State in India during the period of deputation to any person deputed by the State for training in British India.
- (3) Scholarships granted to meet the cost of education.
- (4) Such portion of the income of a member of His Majesty's Forces or of His Majesty's Indian Forces as is compulsorily deducted from his salary by the orders, or with the approval, of Government for payment to a regimental mess or band fund.
- (5) The allowances attached to—  
The Victoria Cross.  
The Military Cross.  
The Order of British India.  
The Indian Order of Merit.

- (6) The interest on Government securities held by Ruling Chiefs and Princes of India, as the property of their States, in the special non-transferable form of Government promissory notes.
- (7) The yield of Post Office Cash Certificates.
- (8) The interest on deposits in the Post Office Savings Bank.
- (9) The income derived by a University or other educational institution existing solely for educational purposes and not for purposes of profit, from fees and other receipts of a similar character.
- (10) The salary of His Majesty's Trade Commissioners in India.
- (11) The gratuities which are granted to officers and others in respect of wounds or injuries received either in action or in the performance of military duty otherwise than in action.
- (12) The gratuities which are granted to the widows, children or other relatives of officers and others who are killed in action or suffer violent death due directly or wholly to war service, or are killed or die of injuries sustained in flying duty or while being carried on duty in aircraft under proper authority, or die within seven years from wounds or injuries so received.
- (13) Gratuities which are granted by the Railway Board or under general orders issued by the Railway Board to employees on their retirement or discharge from service or, in the event of their death while in service, to their widows or children or other members of their families.
- (14) Extraordinary gratuities which are granted by Government or by Railway Administrations to Government or railway servants (or to their widows, children or other representatives, as the case may be) who are injured or killed in the execution of their duties or who suffer injury or death owing to devotion to duty.

- (15) The allowance or salary paid in the United Kingdom to officers on leave or duty in that country whether such allowance or salary is paid in sterling in the United Kingdom or by means of negotiable rupee drafts on a bank in India.
- (16) The leave allowance or salary drawn from any Colonial Treasury by an officer on leave or duty in the Colony.
- (17) The pensions of officers drawn from any Colonial Treasury or paid in the United Kingdom, whether such pensions are paid in sterling or by means of negotiable rupee drafts on a bank in India.
- (18) The interest on Mysore Durbar Securities.
- (19) Pensions granted to members of His Majesty's Naval, Military or Air Forces in respect of wounds or injuries received in action or in the performance of naval, military or air force duty otherwise than in action.
- (20) Pensions granted to members of His Majesty's Naval, Military or Air Forces who have been invalidated for naval, military or air force service on account of bodily disability attributable to or aggravated by such service; and
- (21) Retiring gratuities with increments thereto granted under the rules framed by the Secretary of State in Council in pursuance of the Royal Warrant dated the 25th April 1922.
- (22) Value of rations issued in kind, or money allowances paid in lieu thereof, to any officer or soldier in His Majesty's Military or Air Forces, British or Indian, or in the Auxiliary Force, India, or in the Indian Territorial Force.

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The following class of income shall be exempt from the tax payable under the said Act, but it shall be taken into account in determining the total income of an assessee for the purposes of the said Act:—

The interest on Government securities purchased through the Post Office and held in the custody of the Accountant General, Posts and Telegraphs.

In addition to the above the following remission has also been made under section 2 of the Co-operative Societies Act, 1912, viz., "The Governor General in Council is pleased to remit the income-tax payable in respect of the profits of any co-operative society for the time being registered under that Act, or of the dividends or other payments received by the members of any such society on account of profits." It is to be particularly noted that under this latter notification Co-operative Societies are liable to pay income-tax on the income derived by them from interest on securities and that Co-operative Societies are not exempt from super-tax, but are liable to pay super-tax on the whole of their profits.

Apart from the particular cases of Co-operative Societies and of Government securities purchased through the Post Office, and held in the custody of the Accountant General, Posts and Telegraphs, the income or portions of incomes exempted under section 4 of the Act and under section 60 of the Act referred to above, are not only subject to income-tax or super-tax, but they are also not to be taken into account in determining the rate of tax on other income: they are excluded from consideration altogether.

## PART II.

### *Extract from the Indian Income-Tax Rules, 1922.*

In exercise of the powers conferred by section 59 of the Indian Income-Tax Act, 1922 (XI of 1922), the Board of Inland Revenue has made the following rules, namely:—

15. The returns for Government officers under section 21 of the Act shall be prepared and submitted to the Income Tax Officer by:—

- (a) Civil Audit Officers for all gazetted officers and others who draw their pay from audit offices on separate bills; and also for all pensioners who draw their pensions from audit offices.



I certify that the above statement contains a complete list of the total amounts paid by————to all persons who were receiving income on the 31st day of March 19 at the rate of Rs. 1,600 per annum, or have received during the year ended on that day not less than Rs. 1,600, in respect of salary, wages, annuity, pension, gratuity, fees, commissions, perquisites, or profits in lieu of or in addition to salary or wages, and that all the particulars stated are correct.

Date.

Signature of person by whom the return is delivered.

### PART III.

*Extract from the Indian Finance Act (XII of 1922).*

Income-tax  
and super-tax.

7. (1) Income-tax for the year beginning on the first day of April 1922 shall be charged at the rates specified in Part I of the Third Schedule.

(3) For the purposes of the Third Schedule "total income" means total income as defined in clause (15) of section 2 of the Indian Income-Tax Act, 1922.

### SCHEDULE III.

(SEE SECTION 7.)

#### Part I.

RATES OF INCOME-TAX.	RATE.
A. In the case of every individual, every unregistered firm and every undivided Hindu family:—	
(1) When the total income is less than Rs. 2,000.	Nil.
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000.	Five pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000.	Six pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000.	Nine pies in the rupee.
(5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000.	One anna in the rupee.
(6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000.	One anna and three pies in the rupee.
(7) When the total income is Rs. 40,000 or upwards.	One anna and six pies in the rupee.
B. In the case of every company and every registered firm, whatever its total income.	One anna and six pies in the rupee.

*Page 107, Appendix 2—*

*Chapter I., Section 6(1)—*

*Insert the following as note 5 under this section :—*

**NOTE 5.**—The following classes of income are exempt from Indian Income Tax :—

- (1) Any allowance or salary paid in the United Kingdom to officers on leave or duty in that country, whether such allowance or salary is paid in sterling in the United Kingdom or by means of negotiable rupee drafts on a bank in India ;
- (2) Leave allowance or salary drawn from any Colonial Treasury by an officer on leave or duty in the Colony ;
- (3) Pensions of officers drawn from any Colonial Treasury or paid in the United Kingdom whether such pensions are paid in sterling or by means of negotiable rupee drafts on a bank in India.

\*(C. A. C., Vol. I., 8th edn., No. 80, dated 1st January 1922.)



## APPENDIX 2.

(2) This Act shall not apply to the following classes of income :—

- (ii) Any income of a religious or charitable institution derived from voluntary contributions and applicable solely to religious or charitable purposes.
- (iv) Interest on securities which are held by or are the property of, any Provident Fund to which the Provident Funds Act, 1897, applies, or any Provident Insurance Society to which the Provident Insurance Societies Act, 1912, is, or, but for an exemption under that Act, would be applicable.
- (v) Any capital sum received in commutation of the whole or a portion of a pension, or in the nature of consolidated compensation for death or injuries, or in payment of any insurance policy, or as the accumulated balance at the credit of a subscriber to any such Provident Fund.
- (vi) Any special allowance, benefit or perquisite specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

NOTE 1.—The liability to income-tax of house-rent allowances and rent-free quarters is governed by the provisions of sections 3 (2)(vi) and (ix). In the case of rent-free quarters, except in cases in which it is permissible to sublet, the perquisite which they represent is not reasonably capable of being converted into money. The following criterion should therefore be adopted in determining whether the perquisite is liable to income-tax :

Where a person occupies a house rent-free by virtue of his office and has the right to let the house, its annual value should be taken into account in computing his income. Where, however, he has not the right to let the house, its annual value should not be regarded as part of his income.

In the case of house-rent allowances, since these take the form of money, the provisions of section 3 (2) (ix) of the Act do not apply, and these will ordinarily be chargeable to income-tax. The conditions which are necessary in order to justify exemption are two. The expenses incurred by the employé must be wholly and necessarily incurred in the performance of his duty as an employé, and the allowance must have been granted by the employer with the set purpose of meeting the extra expense thus caused to the employé and that extra expense only. The following example indicates the exceptional class of case in which house-rent allowances may be entitled to exemption :—

A Government office has its headquarters in Bombay, but proceeds for some months in the year elsewhere, and grants its ministerial establishment house-rent allowances in the place to which it proceeds with the specific object of providing for the maintenance of a second and, from the point of view of the grantees, unnecessary residence in order that they may perform their duties there. The allowances will be exempt from income-tax.

NOTE 2.—Travelling allowance, tentage allowance, horse allowance, sumptuary allowance, fall under this exemption.

- (viii) Any receipts not being receipts arising from business or the exercise of a profession, vocation, or occupation, which are of a casual and non-recurring nature or are not by way of addition to the remuneration of an employé.

NOTE 1.—Whether a bonus granted to a Government servant is liable to income-tax has to be determined with reference to this clause.

NOTE 2.—A compassionate gratuity granted to the family of a deserving Government servant left in indigent circumstances falls under this exemption.

- (ix) Any perquisite or benefit which is neither money nor reasonably capable of being converted into money.

NOTE.—See Note 1 under section 3 (2) (vi) above.

In this sub-section "charitable purpose" includes relief of the poor, education, medical relief, and the advancement of any other object of general public utility.

6. (1) The tax shall be payable by an assessee under the head "salaries" in respect of any salary or wages, any annuity, pension or gratuity, and any fees, commissions, perquisites or profits received by him in lieu of, or in addition to, any salary or wages, which are paid by or on behalf of Government or a local authority.....provided that the tax shall not be payable in respect of—

NOTE 1.—Lump sum language rewards, and fees for conducting an examination, when the conduct of the examination is not part of the officer's ordinary duties, are not chargeable as salaries but as income from other sources under section 11.

NOTE 2.—Except as under the provisions to this section of the Act or in accordance with any notification issued by the Governor-General under section 44 of the Act no part of a consolidated pay is exempt and local and exchange compensation allowances are subject to the tax except in so far as any local allowance falls under the exemption given by section 3 (2) (vi).

NOTE 3.—Advances of pay, and other advances made by Government to its officers are not chargeable to income-tax and no allowance is admissible in respect of sums deducted from salary in repayment of such advances.

NOTE 4.—A portion of a salary withheld under the order of a Court is liable to income-tax.

## APPENDIX 2.

(i) (Provided that the tax shall not be payable in respect of) any salary not exceeding five hundred rupees per mensem received by any member of His Majesty's Forces, or of His Majesty's Indian Forces, as the pay of an appointment which is ordinarily reserved exclusively for members of those Forces.

NOTE 1.—The Royal Indian Marine Service is not covered by the term "His Majesty's Forces or His Majesty's Indian Forces."

NOTE 2.—Civil Surgeons are not exempted under this article.

NOTE 3.—Such portion of the income of a member of His Majesty's Forces or of His Majesty's Indian Forces as is compulsorily deducted from his salary by the orders, or with the approval, of Government for payment to a regimental mess or band fund has been exempted from income-tax and should not be included in total income for the purpose of determining the rate of deduction from the remainder of the income.

NOTE 4.—The allowances attached to—

- (1) The Victoria Cross,
- (2) The Military Cross,
- (3) The Order of British India,
- (4) The Indian Order of Merit,

have been exempted from income-tax.

NOTE 5.—(1) An officer in military employ, in determining the amount of his salary for the purpose of assessment to income-tax, may in the following cases only exclude the horse allowance and tentage included in the consolidated salary, pay or Indian pay of certain appointments under paragraphs 262, 263, 373 and 445 of the Army Regulations, India, Volume I—

- (a) If his salary, after such deduction is made, does not exceed Rs. 500 per mensem;
- (b) If, on the occasion on which he first draws in British India a salary exceeding Rs. 500 per mensem after deduction of horse allowance and tentage, he exercises the option of excluding these allowances;
- (c) If, on the last occasion before the issue of these rules on which he drew in British India a salary exceeding Rs. 500 per mensem after deduction of horse allowance and tentage, he exercised the option under any rule or order previously in force of excluding these allowances.

(2) An officer may at any time elect to include these allowances in his salary for the purpose of income-tax assessment; but should he do so, he may not subsequently on change of emoluments or for any other reason alter his decision.

(3) The privilege of excluding tentage and horse allowance under rule 1 is subject to the condition that the officer concerned has provided, and actually maintains, the camp equipage of his rank in a serviceable condition and the number of *bona fide* chargers prescribed for his rank.

(4) It shall not be open to any officer whose consolidated salary, pay, or Indian pay includes both horse allowance and tentage to exclude for the purpose of these rules horse allowance alone or tentage alone.

(ii) (Provided also that the tax shall not be payable in respect of) any sum deducted under the authority of Government from the salary of any individual for the purpose of securing to him a deferred annuity or of making provision for his wife or children, provided that the sum so deducted shall not exceed one-sixth of the salary.

NOTE 1.—The tax is not payable in respect of sums deducted as interest under rule 11 of the Indian Military Service Family Pension Regulations and rule 9 of the Indian Civil Service Family Pension Regulations but is payable in respect of sums deducted as interest under rules 13 and 16 of the former and under rules 12 and 15 of the latter regulations.

(2) Any income which would be chargeable under this head if paid in British India shall be deemed to be so chargeable if paid to a British subject or a servant of His Majesty in any part of India by Government or by a local authority established by the Governor-General in Council.

NOTE 1.—The salaries of officers of British establishments in Indian States if paid by such States, either wholly or in part, are exempt from income-tax in respect of the amounts paid by the Indian States even though the payments may be made in the first place by the Government of India.

Interest on.  
Securities

7. The tax shall be payable by an assessee under the head "Interest on securities" in respect of the interest receivable by him on any security of the Government of India or on debentures or other securities for money issued by or on behalf of a local authority or a company:

Provided that no tax shall be payable on the interest receivable on any security of the Government of India issued or declared to be income-tax free.

NOTE 1.—War Bonds, 1920, 1921, 1922, 1923, 1925 and 1928 were issued in one-tax free. The interest on these Bonds is, however, included in determining an assessee's total income for the purpose of Schedule I of the Act. This also applies to the interest on Government securities purchased through the Post Office, and held in the custody of the Accountant-General, Posts and Telegraphs.

NOTE 2.—The Act does not apply to—

- (a) the interest on Government securities held by Ruling Chiefs and Princes of India as the property of their States, in the special non-transferable form of Government Promissory Notes;

No. 56.

*Page 109, Appendix 2, Section 12(2)—*

*Add the following to Note 1 under this section :—*

It is not the duty of the Audit Officer or the Head of an office who makes the deductions from the pay of the Government officers to see that the allowances claimed do not exceed one-sixth of the income of the assessee. This should be done by the Collector of Income Tax at the time of final assessment under section 19 of the Act.

(C. A. C., Vol. I, 8th edn., No. 56, dated 1st July 1921.)

## APPENDIX 2.

(b) the yield of Post Office Cash Certificates.

(c) The interest on deposits in the Post Office Savings Bank.

These incomes are exempt from income-tax and are not to be taken into account in calculating the total income for the purpose of Schedule I of the Act.

IX of 1897.  
V of 1912.

12. (2) [In computing the amount of the income chargeable to income-tax] there shall be excluded from the computation any sum paid by the assessee to effect an insurance on his own life or on the life of his wife or in respect of a contract for deferred annuity on his own life or on the life of his wife or as a contribution to any provident fund to which the Provident Funds Act, 1897, applies, or to any Provident Fund which complies with the provisions of the Provident Insurance Societies Act, 1912, or has been exempted from the provisions of that Act: Exclusions of a general nature.

Provided that the aggregate of any sums so excluded shall not, after taking into account any exemptions allowed in respect of like provision under the head "Salaries," exceed one-sixth of the income of the assessee which would, apart from such exclusion and exemption, be chargeable to income-tax.

NOTE 1.—These exclusions may be made at the time of the payment of "Salaries."

NOTE 2.—Sums refunded on account of amounts temporarily withdrawn from Provident Funds cannot be excluded.

NOTE 3.—Refund of income-tax on the amount of premium paid to an Insurance Company in any year, if claimed in a subsequent year, can be allowed at the time of payment of salary provided that the premium has been paid within the 6 calendar months ending with the close of the month for which salary is drawn.

NOTE 4.—If a life insurance premium is payable in sterling the amount to be excluded from the gross salary, etc., is the actual cost of remittance as stated by the assessee, or if the assessee is unable to state such actual cost the equivalent in rupee of the sterling payment calculated at the official rate of exchange in force on the date on which the premium payment was made as indicated by the premium receipt.

NOTE 5.—(a) A claim to reduction in the amount of salary, pension, or annuity liable to assessment, on account of payment made to a Life Insurance Company or to a Family Pension Fund (if the payment is made otherwise than by deduction from salary) must be supported either—

- (1) by the original receipt of the Insurance Company or Fund;
- (2) where the claim is made by a servant of the Government or of a local authority, by a copy of the original receipt presented along with the original to the officer who pays the salary, and attested by that officer, who should, after such attestation, return the original with a note endorsed upon it that it has been produced and allowed for, the copy being attached to the bills sent with the list of payments; or
- (3) by a duplicate receipt or certificate of payment given by the Insurance Company or Family Pension Fund provided a certificate is given that the original receipt is lost or is not forthcoming.

(b) In cases (1) and (3) the receipt or certificate should be forwarded with the bill to the Account Office, whence it will be returned, if desired, as soon as the fact of payment is admitted in due course of audit.

(c) Where the Collector is satisfied that none of the above prescribed documents can be produced without an amount of delay, expense or inconvenience which, under the circumstances of the case, would be unreasonable, he may accept such other proof of payment of the premium as he may deem sufficient. He must, however, in all cases receive and adjudicate the claims to the remissions in sufficient time to prevent the payment of bills being postponed pending the adjudication.

14. (2) Subject to the conditions hereinbefore set out, there shall be levied in respect of the year beginning with the first day of April 1918, and in respect of each subsequent year, by collection in that year and subsequent adjustment as hereinafter provided income-tax upon every assessee in respect of his taxable income in that year at the rate specified in Schedule I: . . . levy of tax . . .

Provided that, where the assessee is a company or a firm constituted under a registered instrument of partnership specifying the individual shares of the partners and the taxable income of such company or firm is two thousand rupees per annum or upwards, income-tax shall be levied at the maximum rate specified in Schedule I.

## CHAPTER II.

## DEDUCTIONS AND ASSESSMENTS.

15. (1) Income-tax shall, unless otherwise prescribed in the case of any security of the Government of India, be deducted at the time of payment in respect of income chargeable under the following heads:—

- (i) "Salaries;" and
- (ii) "Interest on securities."

(2) An employer or other person responsible for paying any income chargeable under the head "Salaries" shall at the time of payment deduct income-tax on the amount payable at the rate specified in Schedule I in respect of such amount, provided that if the payment is a recurring one and in respect of any period less than a year, the rate shall be determined with reference to the amount which would be proportionately payable in a year. The deduction so made shall be treated as a payment of income-tax on behalf of the person from whose earnings the deduction was made and credit shall be given to him therefor in the next adjustment under section 19.

NOTE 1.—The payment in a lump sum of additions, warranted by orders having retrospective effect, to salaries of previous months which have already been drawn is not a "recurring" payment within the meaning of this section, so the rate of income-tax leviable thereon at the time of payment must be determined solely by the amount payable on the bill regardless of the assessee's other income during the period to which the arrears relate.

Such additional amounts should, therefore, not be drawn on the same bill with current salary.

NOTE 2.—If the salary drawn in any month is less than Rs. 166-10-8, no deduction can be made on account of the tax, even though the salary of other months has been or will be such as to bring the salary of the year up to Rs. 2,000.

NOTE 3.—A refund of any sum deducted in excess from salary can be obtained—

- (i) from the disbursing officer in a subsequent month if the excess deduction was due to a palpable mistake such as an arithmetical error or the application of what is manifestly a wrong rate;
- (ii) in other cases, at the time of adjustment under section 19; any persons entitled to such a refund can apply for an adjustment.

NOTE 4.—The deduction of the tax from a gratuity should be at the rate applicable to the gratuity taken by itself. Thus no deduction will be made from a gratuity of Rs. 500 only, the tax being recovered at the adjustment under section 19.

NOTE 5.—In calculating the amount of tax payable, the amount due on a fraction of a rupee shall be neglected.

(3) The person responsible for paying any income chargeable under the head "Interest on securities" shall at the time of payment, deduct income-tax on the amount of the interest payable at the maximum rate specified in Schedule I. The deduction so made shall be treated as payment of income-tax on behalf of the owner of the security, and credit shall be given to him therefor in the next adjustment under section 19:

Provided that, if the owner of the security obtains a refund of any portion of the tax so deducted in accordance with the provisions of this Act, no credit shall be given for the amount of such refund.

NOTE 1.—Under rules issued by local Governments, the owner of a promissory note, bearer bond, stock certificate, debenture or other security of the Government of India, can if he satisfies the Collector of Income-tax that he is entitled to exemption from tax or liable to the tax at less than one anna in the rupee, obtain from him a certificate of exemption or of refund certifying that the next amount of income-tax to be deducted from the interest on the security is to be at a rate mentioned in the certificate. On the production of such a certificate, the person responsible for paying the interest shall make the deduction at the rate stated therein and not at the maximum rate.

When any exemption is allowed or a lower rate is levied, the Treasury Officer should record on the payee's receipt that the prescribed certificate has been produced and note the fact in the column "Deduction of income-tax" in the Register of payments, Form 14 of the Government Securities Manual.

(4) All sums deducted in accordance with the provisions of sub-section (2) or (3) shall be paid within the prescribed time by the person making the deduction to the credit of the Government of India or as the Governor-General in Council directs.

NOTE 1.—The amount deducted from the interest payable on any security of the Government of India shall be paid to the credit of the Government on the same day as the payment of interest is made.

NOTE 2.—In calculating the amount of tax payable, the amount due on a fraction of a rupee shall be neglected.

(5) If any such person does not deduct and pay the tax as required by this section, he shall, without prejudice to any other consequences which he may incur, be deemed to be personally in default in respect of the tax.

(6) The power to deduct under this section shall be without prejudice to any other mode of recovery.

(7) In the case of income chargeable under any other head than those above mentioned, the tax shall be payable by the assessee direct, and shall be the amount assessed under this Act subject to such adjustment as aforesaid.

16. The prescribed person in the case of every Government office, and the principal officer of every local authority . . . shall prepare, and within fifteen days from

*Appendix 2—*

*Insert the following note to exemption No. 17 under section 60 in Part I of the Income Tax Act, 1922, reproduced as Appendix 2 by correction No. 152, dated 1st April 1923 :—*

**“NOTE.—**This exemption does not apply to pensions paid to persons residing out of India from Family Pension Funds established in India and the accounts of which are maintained on a rupee basis.”

*Appendix 2 as amended by Correction No. 152, dated the 1st April 1923.*

*Insert the following as Part IV of this Appendix :—*

#### PART IV.

##### *Extract from the rules regarding Income-tax Refunds.*

1. All refunds will be granted on the special income-tax form of refund.
2. Each order for refund of income-tax contains the following certificates :—

- (i) Certified that with reference to the assessment record of  
for the year \_\_\_\_\_ No. \_\_\_\_\_ a  
refund of Rs. \_\_\_\_\_ is due to \_\_\_\_\_
- (ii) Certified that the income-tax concerning which this refund is  
given has been credited in the treasury.
- (iii) Certified that no refund order regarding the sum now in question  
has previously been granted and this order of refund has been  
entered in the original file of assessment under my signature.

\* \* \* \* \*

The whole onus of granting a refund is on the income-tax officer alone and it will be a part of the duties of inspecting officers, and not of the Accounts Department, to see that the rules have been properly observed.

3. Each order of refund will be numbered serially and will be stamped with the stamp of the office of issue. The month of the date of issue will be written and not indicated by a figure.

4. The books of refund vouchers will remain in the personal custody of the income-tax officer who will intimate to the treasury officer the book which he is using. In the case of special circles dealing with salary cases the number of the book brought into use will be notified to the Accountant-General who will publish it in the gazette.

\* \* \* \* \*

7. A refund voucher will ordinarily be made payable only in the treasury of a district in the circle in which it is issued. But if for particular reasons the voucher has to be sent to another district the treasury officer of the district where the voucher is made payable will be informed by the income-tax officer. In the case of special circles dealing with salary cases the voucher can be cashed in any district which falls within the area in the circle.

8. The encashment of refund vouchers issued as payable in a district within an income-tax circle will be verified by treasury officers at fixed intervals of not more than one month as may be arranged with income-tax officers. Where a voucher is issued as payable in a district other than that

comprised in the circle the fact of payment will be notified to the income-tax officer by the treasury officer.

9. Where a refund is paid by money-order the income-tax officer will show the amount found to be due for refund in the first certificate of the voucher, but will pass for payment a sum representing the amount due for refund *plus* the amount of money-order commission. For instance, if the refund were for a sum of Rs. 25, the entry in item 4 of the refund voucher would be "Passed for payment of Rs. 25 annas four (Rs. 25-4-0), that is, Rs. 25 as above *plus* Re. 0-4-0 money-order commission." The voucher will be sent to the treasury officer with the money-order form filled up and with a request for the issue of a money-order in the ordinary course. The appropriate details will be entered in the counterfoil of the refund voucher. The sum passed for payment will be shown by the treasury officer under the head "refunds" in the treasury accounts. The money-order receipt issued by the Post Office will be forwarded by the treasury officer to the income-tax officer who will attach it to the counterfoil of the refund voucher.

10. If a refund is due to an assessee who is not a resident in India he must make his own arrangement to receive it in India.

11. When a duplicate voucher is asked for because the period of the original voucher has expired the original should be cancelled by the income-tax officer and attached to its counterfoil. A new voucher will then be issued, necessary cross references being entered in the counterfoils of both vouchers.

12. When a duplicate voucher is asked for on the ground that the original has been lost, the duplicate will not be issued until the period of the original voucher has expired and until the income-tax officer has satisfied himself that it has not been cashed and has stopped payment of it at the treasury on which it was issued.

13. In the special salary circles, when a refund is due to a person in receipt of salary which is being taxed at the source, the income-tax officer may, if convenient to the assessee, *e.g.*, in the case of railway servants in receipt of small pay who have no banking account, grant the refund, by authorising short payments of the tax due on the next salary or pay bill or bills. Where this procedure is adopted the fact of the deduction should be noted in the monthly invoice of income-tax deductions.



## APPENDIX 2.

the 31st day of March in each year, deliver or cause to be delivered to the Collector, in the prescribed form, a return in writing showing—

- (a) the name and so far as it is known the address, of every person who was receiving on the said 31st day of March, or has received during the year ending on that date, from the authority . . . . . any income chargeable under the head "Salaries" of such amount as may be prescribed, not being less than six hundred rupees per annum;
- (b) the amount of the income so received by each such person, and the time or times at which the same was paid;
- (c) the amount deducted in respect of income-tax from each such person.

NOTE 1.—The following persons have been prescribed as those who will furnish Collectors with the returns mentioned in this section:—

- (1) Civil Audit Officers for all Gazetted officers and others who draw their pay from audit offices on separate bills, and also for all pensioners who draw their pensions from audit offices.
- (2) Treasury Officers for all Gazetted officers and others who draw their pay from treasuries on separate bills, and also for all pensioners who draw their pensions from treasuries.
- (3) Heads of offices for all non-gazetted officers whose pay is drawn on establishment bills.
- (4) Controllers of Military Accounts (including Divisional Military Supply, Marine, Field and War Controllers) for all military employees under their audit except non-gazetted establishments in whose case the return will be furnished to the Collector by the heads of offices.
- (5) Chief Auditors of the railways concerned for all railway employees under their audit.

19. When the Collector has, in any year after the commencement of this Act for which income-tax is leviable under section 14 (2), ascertained, either from the return made by an assessee or after further inquiry, the total income actually received by or accrued to the assessee in the previous year, he shall compute the income-tax which would have been payable in respect thereof if it had been levied in such previous year with reference to the amount of the income so ascertained and the law then in force; and the difference between the sums so computed and the aggregate of the sums already paid by or on behalf of the assessee in respect of income-tax for such previous year shall be paid by or refunded to the assessee as the case may be; Adjustment with actual income when ascertained.

Provided that no adjustment shall be made under the section in respect of any income-tax assessed or paid before the passing of this Act:

Provided also that it shall be competent to—

- (a) an assessee; or
- (b) in the case of the death or insolvency of an assessee, his representative in interest; or
- (c) with reference to any year for which income-tax is leviable under section 14 (2), the Collector;

in any year to claim an immediate adjustment to date of the sums already paid by or on behalf of an assessee in that year, upon the basis of the total income actually received by or accrued to him in that year; and upon such claim being made, all the provisions of this Chapter shall apply so far as may be necessary for the determination of the proper sum to be paid by or refunded to the assessee or his representative in interest in respect of income-tax down to the date of such determination, and the same shall be paid or refunded accordingly.

## CHAPTER IV.

## LIABILITY IN SPECIAL CASES.

31. In the case of any . . . . . agent of any person . . . . . residing out of British India . . . . . (hereinafter in this section included in the term beneficiary) trustees, and being in receipt on behalf of such beneficiary of any income chargeable under this Act, agents. the tax shall be levied upon and recoverable from such . . . . . agent . . . . . in like manner and to the same amount as it would be leviable upon, and recoverable from, any such beneficiary if . . . . . resident in British India, and in direct receipt of such income, and all the provisions of this Act shall apply accordingly.

## APPENDIX 2.

## CHAPTER VI.

## REFUNDS TO SHAREHOLDERS AND OTHERS.

Refund to individual shareholders, partners and owners of securities.

37. If . . . . . (c) the owner of a security from the interest on which income-tax has been deducted in accordance with the provisions of section 15 satisfies the Collector that his total income in the previous year was less than any one, as the case may be, of the amounts specified in Schedule II, he shall be entitled to a refund of a sum calculated on such dividend, share of profits or interest at the rates specified in the same Schedule against each such amount.

NOTE 1.—A Collector may grant a certificate under this section before the payment of interest, in which case the rate of income-tax chargeable will be determined by the certificate [*vide* note 1 under section 15 (3)].

## CHAPTER VIII.

## MISCELLANEOUS.

Delegation of certain powers of local Government.

50. The local Government may, by notification in the local official Gazette, delegate to the Chief Revenue Authority all or any of the powers conferred on it by this Act for the appointment of officers to exercise or perform the powers or duties of Collectors or Commissioners and all or any of the powers conferred on it by section 36 and the proviso to section 42.

## SCHEDULE I.

(See section 14.)

## RATES OF TAX.

	Rate.
I.—When the taxable income is less than Rs. 2,000 . . . . .	Nil.
II.—When the taxable income is Rs. 2,000 or upwards, and	
(i) the total income is less than Rs. 5,000 . . . . .	Five pies in the rupee.
(ii) the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000.	Six pies in the rupee.
(iii) the total income is Rs. 10,000 or upwards, but is less than Rs. 25,000.	Nine pies in the rupee.
(iv) the total income is Rs. 25,000 or upwards . . . . .	One anna in the rupee.

No 323.

*Pages 113-115, Appendix 3—*

*Delete this Appendix.*

(C. A. C., I, 8th Edn., No. 323, dated 1st June 1924.)